

# Financial *Status Report*

August 31, 2017

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through August 31, 2017. It compares revenues and expenditures for the first two months of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

## San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

July 2017



0.50%



0.06%

Local Stock Prices



0.27%

Local Consumer Confidence

Index of Leading Economic Indicators



2.81%



0.61%

Help Wanted Advertising

Building Permits



0.27%



0.63%

National Economy

Unemployment Insurance

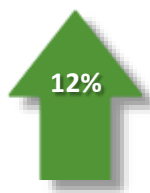
## University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.5 percent in July. The move to the upside was led by a huge increase in building permits and supported by smaller gains in consumer confidence and the outlook for the national economy. Local stock prices were also higher, but just barely so. These gains outweighed losses in initial claims for unemployment insurance and in help wanted advertising to push the USD Index to its eighth increase in nine months.

With July's increase, the outlook for the local economy remains for solid growth for the rest of 2017 and through at least the first half of 2018. One potential problem for the local economy is the soaring price of housing, both in terms of purchasing and renting. While this is good for people who own property, the local economy is hurt because companies either have trouble attracting workers or have to pay their workers more, thus increasing labor costs. The reason for the surge in housing prices is simple supply and demand, with demand strong and supply tight. Since the bottom in 2010, almost 145,000 jobs have been added to the local economy. To accommodate those workers and their families, about 115,000 residential units should have been built. Instead, only about 47,000 units have been authorized by building permits, leaving a shortage of 68,000 units. Some would argue that this shortage is overstated as 2010 prices and rents were artificially low. But it could also be understated as it doesn't factor in units taken off the market, either through demolition or through the relatively new phenomenon of short-term vacation rentals, which have affected an estimated 10,000 units.

Residential units authorized by building permits followed June's monster showing of over 2,100 units authorized with another 1,000+ units authorized month. The USD Index uses a moving average to smooth the data from wild month-to-month fluctuations, which is particularly important when dealing with volatile components such as residential units authorized. July's result finally puts the pace of permit activity in 2017 ahead of that for 2016. For the second month in a row, both the labor market variables were negative. Job loss as measured by initial claims for unemployment edged up slightly in July while labor demand as measured by help wanted advertising decreased for the fifth consecutive month. The net result was that the seasonally adjusted unemployment rate rose to 4.4 percent in July. This compares to a rate of 4.2 percent in June and 4.8 percent in July 2016. July is usually the worst month of the year for the unemployment rate due to the summer break in schools. There was not much movement in either investor or consumer confidence in July. Local stock prices began the second half virtually flat, while the 13<sup>th</sup> consecutive gain in consumer confidence was the second lowest of the streak. The outlook for the national economy continues to be positive, with the national Index of Leading Economic Indicators increasing for the 11<sup>th</sup> straight month. The second estimate of GDP growth for the second quarter came in at an annualized growth rate of 3.0 percent, which is up from the "advance" estimate of 2.6 percent released last month. The national labor market improved in July compared to June, with the unemployment rate falling to 4.3 percent and wage and salary job growth jumping to 209,000.<sup>1</sup>

## General Fund Revenues



**Property Taxes (\$1.8 million)** – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The

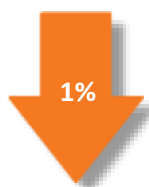
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<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in July*, August 30, 2017.

increase in this year's assessed values was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

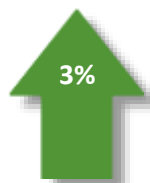
The primary reasons that property taxes for the first two months of the new fiscal year have increased by 12 percent as compared to the prior fiscal year are:

- Current taxes are up by \$3,000 or 0.4 percent due to timing differences.
- Aircraft taxes are up by \$151,000 due to timing differences.
- Supplemental taxes are up by \$36,000 due to an increase in property resales.
- Payments for previous years' taxes are down by \$179.
- Unitary taxes are up by \$323.



**Sales Taxes (\$5.3 million)** – For the first two months of the new fiscal year, sales tax revenues are \$32,000 (or one percent) lower than the same time period in the previous fiscal year. Sales tax revenues for the year represent the second and third advances of the city's second calendar quarter of 2017 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

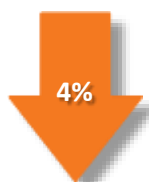
For sales occurring in the first calendar quarter of 2017 (the most recent data available), key gains were seen in auto sales – new, heavy industry, restaurants, and office equipment. During the same period, key declines were seen in apparel stores, miscellaneous retail, food markets and energy sales. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



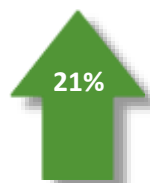
**Transient Occupancy Tax (\$5.4 million)** – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first two months of the new fiscal year reflect an increase of \$178,000, three percent more than the previous year. A higher

inventory of available rooms and higher room rates accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of July 2017.

Currently, there are 4,381 hotel rooms and 1,159 registered vacation rentals in the city (931 timeshares and 228 short-term vacation rentals). The average occupancy of hotel rooms over the most recent 12 months has been 71 percent, three percent higher than last year's average at this time.



**Recreation Fees (\$1.2 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by four percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to monitor and improve program performance.

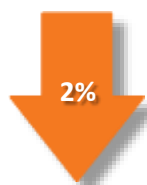


**Development Related Revenues (\$1 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a significant increase for the first two months of the new fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in August included residential development at the Miles Buena Vista subdivision and the Poinsettia 61 projects. Industrial/commercial building activity included two office buildings and a restaurant in Bressi Ranch, development on the ViaSat Campus, the demolition and reconstruction of Hoehn Porsche, and a testing site for Callaway Golf.

One source of development related revenue is building permits, which are up 159 percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction, an increase in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$108 million, while it was \$40.7 million in the previous fiscal year, a 165.6 percent increase. In August, Carlsbad issued building permits for 61 residential dwelling units, an increase from the 32 residential dwelling units permitted in July. In the northeast quadrant, 60 residential dwelling units will be built: 28 condominiums as part of Agave, Cypress and Acadia at The Preserve, 12 condominiums as part of Blue Sage, four single-family homes as part of Seascape, four single-family homes as part of The Bluffs at Robertson Ranch and nine single-family homes as part of The Terraces at Robertson Ranch. Also in the northeast quadrant, three second dwelling units will be constructed. In the southeast quadrant, one second dwelling unit will be constructed. For the current fiscal year, 93 residential permits have been issued, as compared to 35 permits issued during the same period last year.

During the month of August, five commercial and industrial permits were issued for 539,570 square feet – 172,360 square feet for an industrial building in the Carlsbad Raceway, 209,524 square feet for a commercial building at the ViaSat Bressi Ranch Campus, 28,210 square feet for a commercial building in Bressi Ranch, 29,756 square feet for a commercial building on the ViaSat Campus, and 99,720 square feet for an industrial building in the Carlsbad Raceway. Year-to-date, there has been 539,570 square feet of commercial/industrial permits issued, as compared to 17,773 square feet of commercial/industrial permits issued during the same period last year.



**Franchise Taxes (\$727,000)** – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$19,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$51,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$18,000 is due to more commercial accounts coming online from new development activity within the city, more payments being made on time, and the timing of cash receipts from bi-monthly billings. Additionally, a timing difference in the receipt of the fiber optic antenna system franchise payments has resulted in a \$14,000 increase in revenue for the year.

Approximately 43 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2018.



**Income from Investments and Property (\$685,000)** – For the first two months of the fiscal year, income from investments and property is up \$64,000 compared to the previous fiscal year.

Interest income is up \$49,000 for the year due to the combination of a 13.8 percent decrease in the average daily cash balance combined with a 21.9 percent

increase in the average yield on the portfolio for the year (an increase in the yield from 1.17 percent last fiscal year to 1.43 percent in the current fiscal year).

Income from property sales and rentals is up by \$15,000 for the year, primarily due an increase in facility, park and pool lane rentals.



**Business License Tax (\$556,000)** – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are down \$305,000 or 35 percent less than the previous fiscal year. This is primarily due to a change in the way that licenses are processed in the city’s new business licensing system. This operational change has resulted in a timing delay for invoicing customers and receiving payments when compared to the prior fiscal year. A significant portion of business license revenue for July and August is currently being processed.

There are currently 10,741 licensed businesses operating within the city, 960 more than the prior year. The majority of taxed businesses (7,188 businesses) are located in Carlsbad, with 2,851 of these businesses home-based.



**Interdepartmental Charges (\$492,000)** – Interdepartmental charges are \$82,000, or 14 percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 31 percent, or \$72,000) due to recent staffing vacancies; reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 2.9 percent, or \$10,000), the result of an updated cost allocation plan.



**Ambulance Fees (\$416,000)** – The city bills any individual who is transported in one of the city’s ambulances. Through August 2017, receipts from ambulance fees are down \$59,000 or 12 percent compared to last fiscal year. Fees collected should have been higher however, in transitioning to a new ambulance billing provider in the prior fiscal year, there were less write-offs for uncollectable ambulance fees. Additionally, there is a timing difference in how the new ambulance billing provider reports out monthly compared to the previous provider. The number of billable transported patients for the first two months of Fiscal Year 2017-18 (735) versus Fiscal Year 2016-17 (853) has also decreased moderately.



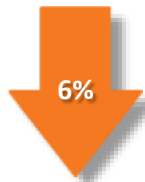
**Other Intergovernmental Revenues (\$202,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$202,000 received this year is the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), state mandated cost reimbursements, and revenues received from other governmental agencies for use of the city’s Safety Training Center. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year.





**Other Licenses and Permits (\$178,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November

2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown an increase for the year, while building permit revenues would have shown a smaller increase for the year.

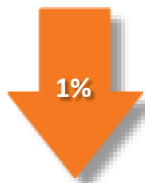


**Other Revenue Sources (\$155,000)** – Other revenue sources have decreased by \$10,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease

to date represents an increase in prior year refunds and a decrease in loss recovery reimbursements, partially offset by an increase in miscellaneous contributions from property owners and other miscellaneous reimbursements received by the General Fund.



**Fines and Forfeitures (\$117,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due entirely to fewer revenues derived from moving violations.



**Other Charges or Fees (\$78,000)** – Other charges and fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first two months of the fiscal year, revenues are down by

\$700 but higher than the expected budget at this time of \$40,000.

## Expenditures

Total General Fund expenditures and encumbrances through the month of August 2017 are \$44.1 million, compared to \$57.4 million at the same time last year. This leaves \$125.2 million, or 74 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 69.7 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at August 31, 2017 is 77.4 percent, slightly lower than the 78.9 percent available at July 31, 2016.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
  - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
  - \$400,000 million in additional retirement costs due to PERS rate increases and higher salaries
  - Increased health insurance and workers' compensation rates
  - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
  - General inflationary adjustments of two percent
  - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
  - General decreases in the internal service charges
  - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
  - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

## Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of August 31, 2017, nothing has been authorized out of the contingency account.

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

| GENERAL FUND<br>REVENUE COMPARISON   |                                      |                                     |                                     |  |                   |
|--|--------------------------------------|-------------------------------------|-------------------------------------|--|-------------------|
|  | EXPECTED<br>BUDGET<br>AS OF 08/31/17 | ACTUAL<br>FY 2016<br>AS OF 08/31/16 | ACTUAL<br>FY 2017<br>AS OF 08/31/17 | CHANGE FROM<br>YTD 2017 TO<br>YTD 2018 | PERCENT<br>CHANGE |
| <b>TAXES</b>   |                                      |                                     |                                     |  |                   |
| PROPERTY TAX   | \$1,651,426                          | \$1,590,383                         | \$1,780,346                         | \$189,963                              | 12%               |
| SALES TAX  | 5,352,191                            | 5,299,753                           | 5,267,683                           | (32,070)                               | -1%               |
| TRANSIENT OCCUPANCY TAX  | 5,232,660                            | 5,254,127                           | 5,432,371                           | 178,244                                | 3%                |
| FRANCHISE TAX  | 750,535                              | 745,127                             | 726,562                             | (18,565)                               | -2%               |
| BUSINESS LICENSE TAX   | 1,013,760                            | 860,779                             | 556,051                             | (304,728)                              | -35%              |
| TRANSFER TAX   | 0                                    | 0                                   | 0                                   | 0                                      | 0%                |
| <b>TOTAL TAXES</b>   | <b>14,000,572</b>                    | <b>13,750,169</b>                   | <b>13,763,013</b>                   | <b>12,844</b>                          | <b>0%</b>         |
| <b>INTERGOVERNMENTAL</b>   |                                      |                                     |                                     |  |                   |
| VEHICLE LICENSE FEES   | 0                                    | 0                                   | 0                                   | 0                                      | 0%                |
| HOMEOWNERS EXEMPTIONS  | 0                                    | 0                                   | 0                                   | 0                                      | 0%                |
| OTHER  | 34,621                               | 46,327                              | 201,956                             | 155,629                                | 336%              |
| <b>TOTAL INTERGOVERNMENTAL</b>   | <b>34,621</b>                        | <b>46,327</b>                       | <b>201,956</b>                      | <b>155,629</b>                         | <b>336%</b>       |
| <b>LICENSES AND PERMITS</b>  |                                      |                                     |                                     |  |                   |
| BUILDING PERMITS   | 149,410                              | 173,605                             | 449,243                             | 275,638                                | 159%              |
| OTHER LICENSES & PERMITS   | 117,852                              | 213,690                             | 178,148                             | (35,542)                               | -17%              |
| <b>TOTAL LICENSES &amp; PERMITS</b>  | <b>267,261</b>                       | <b>387,295</b>                      | <b>627,391</b>                      | <b>240,096</b>                         | <b>62%</b>        |
| <b>CHARGES FOR SERVICES</b>  |                                      |                                     |                                     |  |                   |
| PLANNING FEES  | 167,500                              | 254,867                             | 167,111                             | (87,756)                               | -34%              |
| BUILDING DEPARTMENT FEES   | 98,772                               | 204,278                             | 236,654                             | 32,376                                 | 16%               |
| ENGINEERING FEES   | 128,327                              | 221,601                             | 177,001                             | (44,600)                               | -20%              |
| AMBULANCE FEES   | 515,697                              | 475,497                             | 416,438                             | (59,059)                               | -12%              |
| RECREATION FEES  | 1,282,163                            | 1,276,670                           | 1,223,409                           | (53,261)                               | -4%               |
| OTHER CHARGES OR FEES  | 39,643                               | 78,482                              | 77,779                              | (703)                                  | -1%               |
| <b>TOTAL CHARGES FOR SERVICES</b>  | <b>2,232,102</b>                     | <b>2,511,395</b>                    | <b>2,298,392</b>                    | <b>(213,003)</b>                       | <b>-8%</b>        |
| <b>FINES AND FORFEITURES</b>   | <b>159,755</b>                       | <b>151,243</b>                      | <b>116,626</b>                      | <b>(34,617)</b>                        | <b>-23%</b>       |
| <b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>  | <b>623,146</b>                       | <b>620,936</b>                      | <b>684,714</b>                      | <b>63,778</b>                          | <b>10%</b>        |
| <b>INTERDEPARTMENTAL CHARGES</b>   | <b>540,552</b>                       | <b>574,067</b>                      | <b>492,248</b>                      | <b>(81,819)</b>                        | <b>-14%</b>       |
| <b>OTHER REVENUE SOURCES</b>   | <b>131,844</b>                       | <b>165,147</b>                      | <b>155,418</b>                      | <b>(9,729)</b>                         | <b>-6%</b>        |
| <b>TRANSFERS IN</b>  | <b>10,000</b>                        | <b>10,000</b>                       | <b>11,500</b>                       | <b>1,500</b>                           | <b>15%</b>        |
| <b>TOTAL GENERAL FUND</b>  | <b>\$17,999,854</b>                  | <b>\$18,216,579</b>                 | <b>\$18,351,258</b>                 | <b>\$134,679</b>                       | <b>1%</b>         |
| (1)  |                                      |                                     |                                     |  |                   |
| (1) Calculated General Fund revenues are 1.9% above estimates as of August 31, 2017. |                                      |                                     |                                     |  |                   |



**GENERAL FUND  
EXPENDITURE STATUS BY DEPARTMENT**

| DEPT DESCRIPTION                          | TOTAL                | AS OF 08/31/17          |                      |                    |
|---|----------------------|-------------------------|----------------------|--------------------|
|   | BUDGET<br>FY 2017-18 | AMOUNT<br>COMMITTED (b) | AVAILABLE<br>BALANCE | %<br>AVAILABLE (c) |
| <b>POLICY/LEADERSHIP GROUP</b>            |                      |                         |                      |                    |
| CITY COUNCIL                              | \$503,140            | \$81,028                | \$422,112            | 83.9%              |
| CITY MANAGER                              | 2,701,585            | 504,145                 | 2,197,440            | 81.3%              |
| COMMUNITY OUTREACH AND ENGAGEMENT         | 1,748,354            | 673,688                 | 1,074,666            | 61.5%              |
| CITY CLERK AND RECORDS MANAGEMENT         | 1,027,056            | 144,338                 | 882,718              | 85.9%              |
| CITY ATTORNEY                             | 1,687,264            | 247,622                 | 1,439,642            | 85.3%              |
| CITY TREASURER                            | 207,461              | 72,838                  | 134,623              | 64.9%              |
| <b>TOTAL POLICY/LEADERSHIP</b>            | <b>7,874,860</b>     | <b>1,723,659</b>        | <b>6,151,201</b>     | <b>78.1%</b>       |
| <b>ADMINISTRATIVE SERVICES</b>            |                      |                         |                      |                    |
| FINANCE                                   | 5,155,011            | 1,295,980               | 3,859,031            | 74.9%              |
| HUMAN RESOURCES                           | 3,966,693            | 1,023,709               | 2,942,984            | 74.2%              |
| <b>TOTAL INTERNAL SERVICES</b>            | <b>9,121,704</b>     | <b>2,319,689</b>        | <b>6,802,015</b>     | <b>74.6%</b>       |
| <b>PUBLIC SAFETY</b>                      |                      |                         |                      |                    |
| POLICE                                    | 36,635,671           | 6,530,322               | 30,105,349           | 82.2%              |
| FIRE                                      | 22,575,757           | 4,232,279               | 18,343,478           | 81.3%              |
| <b>TOTAL PUBLIC SAFETY</b>                | <b>59,211,428</b>    | <b>10,762,601</b>       | <b>48,448,827</b>    | <b>81.8%</b>       |
| <b>COMMUNITY DEVELOPMENT</b>              |                      |                         |                      |                    |
| COMMUNITY AND ECONOMIC DEVELOPMENT        | 11,092,195           | 3,093,247               | 7,998,948            | 72.1%              |
| HOUSING AND NEIGHBORHOOD SERVICES         | 1,449,044            | 396,681                 | 1,052,363            | 72.6%              |
| <b>TOTAL COMMUNITY DEVELOPMENT</b>        | <b>12,541,239</b>    | <b>3,489,928</b>        | <b>9,051,311</b>     | <b>72.2%</b>       |
| <b>COMMUNITY SERVICES</b>                 |                      |                         |                      |                    |
| PARKS AND RECREATION                      | 17,141,988           | 5,538,968               | 11,603,020           | 67.7%              |
| LIBRARY AND CULTURAL ARTS                 | 12,910,025           | 2,095,663               | 10,814,362           | 83.8%              |
| <b>TOTAL COMMUNITY SERVICES</b>           | <b>30,052,013</b>    | <b>7,634,631</b>        | <b>22,417,382</b>    | <b>74.6%</b>       |
| <b>PUBLIC WORKS</b>                       |                      |                         |                      |                    |
| PUBLIC WORKS ADMINISTRATION               | 2,151,731            | 291,670                 | 1,860,061            | 86.4%              |
| ENVIRONMENTAL MANAGEMENT                  | 678,134              | 177,596                 | 500,538              | 73.8%              |
| GENERAL SERVICES                          | 9,957,262            | 2,739,025               | 7,218,237            | 72.5%              |
| TRANSPORTATION                            | 7,100,829            | 2,203,685               | 4,897,144            | 69.0%              |
| <b>TOTAL PUBLIC WORKS</b>                 | <b>19,887,956</b>    | <b>5,411,976</b>        | <b>14,475,980</b>    | <b>72.8%</b>       |
| <b>NON-DEPARTMENTAL &amp; CONTINGENCY</b> |                      |                         |                      |                    |
| OTHER NON-DEPARTMENTAL (a)                | 16,705,524           | 303,223                 | 16,402,301           | 98.2%              |
| TRANSFERS OUT                             | 12,455,000           | 12,455,000              | 0                    | 0.0%               |
| CONTINGENCY                               | 1,500,000            | 0                       | 1,500,000            | 100.0%             |
| <b>TOTAL NON-DEPT &amp; CONTINGENCY</b>   | <b>30,660,524</b>    | <b>12,758,223</b>       | <b>17,902,301</b>    | <b>58.4%</b>       |
| <b>TOTAL GENERAL FUND</b>                 | <b>\$169,349,724</b> | <b>\$44,100,707</b>     | <b>\$125,249,017</b> | <b>74.0%</b>       |

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 69.7% if funds were spent in the same proportion as the previous year.

## Water Enterprise

| WATER OPERATIONS FUND  |                       |                       |                       |  |                   |
|--|-----------------------|-----------------------|-----------------------|--|-------------------|
| AUGUST 31, 2017  |                       |                       |                       |  |                   |
|  | BUDGET<br>FY 2017-18  | YTD (*)<br>07/31/2016 | YTD (*)<br>07/31/2017 | CHANGE FROM<br>YTD 2016-17 TO<br>YTD 2017-18 | PERCENT<br>CHANGE |
| <b>REVENUES:</b>   |                       |                       |                       |  |                   |
| WATER DELIVERY   | \$ 35,300,000         | \$ 6,828,651          | \$ 7,601,324          | \$ 772,673                                   | 11.3%             |
| INTEREST   | 251,000               | 46,407                | 62,765                | 16,358                                       | 35.2%             |
| MISC. SERVICE CHARGES  | 296,000               | 54,724                | 57,189                | 2,465  | 4.5%              |
| PROPERTY TAXES   | 3,605,000             | 54,132                | 56,889                | 2,757  | 5.1%              |
| FINES, FORFEITURES & PENALTIES   | 260,000               | 46,589                | 50,735                | 4,146  | 8.9%              |
| OTHER REVENUES   | 648,000               | 112,616               | 106,541               | (6,075)                                      | -5.4%             |
| <b>TOTAL OPERATING REVENUE</b>   | <b>40,360,000</b>     | <b>7,143,119</b>      | <b>7,935,443</b>      | <b>792,324</b>                               | <b>11.1%</b>      |
| <b>EXPENSES:</b>   |                       |                       |                       |  |                   |
| STAFFING   | 3,681,630             | 620,405               | 571,553               | (48,852)                                     | -7.9%             |
| INTERDEPARTMENTAL SERVICES   | 2,243,082             | 378,760               | 370,481               | (8,279)                                      | -2.2%             |
| PURCHASED WATER  | 22,800,000            | 3,881,347             | 4,031,295             | 149,948                                      | 3.9%              |
| MWD/CWA FIXED CHARGES  | 6,800,000             | 1,131,095             | 1,088,677             | (42,418)                                     | -3.8%             |
| OUTSIDE SERVICES/MAINTENANCE   | 1,418,326             | 21,693                | 53,913                | 32,220                                       | 148.5%            |
| DEPRECIATION/REPLACEMENT   | 3,910,000             | 634,551               | 651,667               | 17,116                                       | 2.7%              |
| MISCELLANEOUS EXPENSES   | 1,046,641             | 134,668               | 251,563               | 116,895                                      | 0.0%              |
| CAPITAL OUTLAY   | 31,530                | 0                     | 9,823                 | 9,823  | 100.0%            |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>41,931,209</b>     | <b>6,802,519</b>      | <b>7,028,972</b>      | <b>226,453</b>                               | <b>3.3%</b>       |
| <b>OPERATING INCOME/(LOSS)</b>   | <b>\$ (1,571,209)</b> | <b>\$ 340,600</b>     | <b>\$ 906,471</b>     | <b>\$ 565,871</b>                            | <b>166.1%</b>     |
| (*) Adjusted to reflect timing differences for water purchases and depreciation. |                       |                       |                       |  |                   |

### Revenues



- The increase in water delivery revenues is the result of an average 5.25 and 4.85 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2016 and January 2017 respectively, coupled with a 6.7 percent increase in water sales during the first two months of the new fiscal year due to less restrictive water usage constraints.
- A 12.7 percent increase in the average cash balance combined with a 21.9 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in fines and forfeitures is due primarily to an increase in late charge and returned check revenue.
- The decrease in other revenues is primarily the result of engineers within the Enterprise charging less of their time to capital improvement projects.

### Expenses



- For Fiscal Year 2017-18, a total of 2.25 full-time positions have been reallocated to other programs from the Water Enterprise to better reflect each programs' workload.
- A 7.7 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 3.1 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the Calendar Year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in water sampling and pipeline maintenance services have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field account for the increase in capital outlay expenses.

## Wastewater Enterprise

| WASTEWATER OPERATIONS FUND   |                      |                       |                       |  |                   |
|--|----------------------|-----------------------|-----------------------|--|-------------------|
| AUGUST 31, 2017  |                      |                       |                       |  |                   |
|  | BUDGET<br>FY 2017-18 | YTD (*)<br>08/31/2016 | YTD (*)<br>08/31/2017 | CHANGE FROM<br>YTD 2016-17 TO<br>YTD 2017-18 | PERCENT<br>CHANGE |
| <b>REVENUES:</b>   |                      |                       |                       |  |                   |
| CHARGES FOR CURRENT SERVICES   | 13,035,000           | 2,369,887             | 2,381,027             | 11,140                                       | 0.5%              |
| INTEREST   | 75,000               | 18,381                | 28,764                | 10,383                                       | 56.5%             |
| OTHER REVENUES   | 290,000              | 56,943                | 44,611                | (12,332)                                     | -21.7%            |
| <b>TOTAL OPERATING REVENUE</b>   | <b>13,400,000</b>    | <b>2,445,211</b>      | <b>2,454,402</b>      | <b>9,191</b>                                 | <b>0.4%</b>       |
| <b>EXPENSES:</b>   |                      |                       |                       |  |                   |
| STAFFING   | 2,333,179            | 313,456               | 314,990               | 1,534  | 0.5%              |
| INTERDEPARTMENTAL SERVICES   | 1,323,235            | 211,654               | 215,817               | 4,163  | 2.0%              |
| ENCINA PLANT SERVICES  | 3,469,456            | 547,996               | 578,243               | 30,247                                       | 5.5%              |
| OUTSIDE SERVICES/MAINTENANCE   | 665,723              | 52,736                | 52,255                | (481)  | -0.9%             |
| DEPRECIATION/REPLACEMENT   | 3,650,000            | 603,746               | 608,333               | 4,587  | 0.8%              |
| MISCELLANEOUS EXPENSES   | 658,795              | 69,484                | 53,112                | (16,372)                                     | -23.6%            |
| CAPITAL OUTLAY   | 238,261              | 0                     | 0                     | 0  | 0.0%              |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>12,338,649</b>    | <b>1,799,072</b>      | <b>1,822,750</b>      | <b>23,678</b>                                | <b>1.3%</b>       |
| <b>OPERATING INCOME/LOSS</b>   | <b>1,061,351</b>     | <b>646,139</b>        | <b>631,652</b>        | <b>(14,487)</b>                              | <b>-2.2%</b>      |
| (*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation. |                      |                       |                       |  |                   |

### Revenues



- Charges for current services are flat as there was no rate increase in January 2017.
- Cash balances in the fund have increased from last year, combined with an increase in the average yield on the portfolio, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

### Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Decreases in miscellaneous expenses is primarily the result of lower parts and equipment purchases.